

Erste Bank's forecast on savings and credit trends: Austrians plan to set aside approximately EUR 5,460 in 2011

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15% with plans for major purchases will use loan financing for cars and housing

Two-thirds of Austrians have confidence in the euro

Interest rates on savings and loans will stay low

According to a current market survey conducted for Erste Bank by the market research company, INTEGRAL, the year 2011 will also be one of safe investments. The survey's findings state that in the coming 12 months almost two-thirds of Austrians plan to save money by depositing it in savings passbooks, 58% in building society schemes and four out of ten will put any extra money in life insurance products. On average, the persons surveyed plan to save EUR 5,460 throughout the year. The figure includes money received as one-time gifts, severance payments and inheritances as well as what is left over at month's end. Around one-third of the persons interviewed are planning major purchases this year such as an own apartment or a new car. 15% will finance the purchases by taking out loans and plan to borrow on average EUR 70,200. The majority (79%) of Austrians are not worried about the state of the European single currency. Key lending rates will remain low until the fourth quarter - good news for borrowers - but neither will interest on savings accounts go up very much. The unemployment rate is slightly down and the domestic economy is growing at a rate of 2.2%.

Forecast of household cash flows

Despite the low interest rates, the savings passbook is still – and will remain – the most popular form of saving money in Austria. Over the next 12 months, 62% plan to invest their money in savings passbooks according to the survey, and slightly less intend to open building society savings accounts (58%). 40% plan to invest in life insurance this year and 34% in retirement provisions. In 2011, 17% may consider investment funds appealing, while 11% plan to buy real estate and 8% will invest in gold on their custody accounts. "Putting money aside, in whatever form, has traditionally been very important for Austrians", explained Peter Bosek, member of the management board at Erste Bank Oesterreich. As regards the amount of money to be saved, people expect to have around EUR 5,460 on average at their disposal for investing into diverse products. A look at the development of deposits by private households in Austria shows a sideways trend since the end of 2009. In 2010, deposits by private households – after some ups and downs - stabilised at around EUR 207 billion. Erste Bank und Sparkassen held a share of almost 40 Mrd. Euro of the total.



Forecast: Savings and credits

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Apart from savings and investments, Austrians are also prepared to spend considerable amounts in 2011. According to the study, one-third of Austrians are planning major purchases such as cars, apartments or new furniture which will require additional funds. The majority can pay for these purchases out of their own savings (85%), but 15% will need loans from banks. The average amount considered for a loan in Austria is stated at a total of around EUR 70,200. The credit volumes are clearly moving upwards: As of January 2010, private households had borrowed around EUR 128 billion, while in December the outstanding volume was EUR 135 billion (+5.5%). Erste Bank and Sparkassen held a share of EUR 26 billion of the total as of the end of December 2010.

Most Austrians not worried about the euro

The common European currency has been in the headlines of business news for months. But in Austria, people are less worried about the existence of the euro: Almost two-thirds of Austrians believe in the European common currency. The sovereign debt crisis in some South European countries resulted in a loss of confidence in financial markets and was ultimately a stress test for cohesion in the euro zone. The clear political commitment of the large euro zone countries to a joint currency has helped the single currency to firm again versus the USD since the start of the year. "The euro is still a stable currency. The consolidation of government budgets in some euro countries will remain a predominant theme in 2011," Mr. Bosek added.

Austria's economy is flourishing

The overall economic conditions in Austria for 2011 are very encouraging: Wifo expects economic growth of 2.2% at slightly declining unemployment rates. Inflation will increase only to a minor extent at 2.1% (2010: 1.8%) in the current year. Therefore, interest rates are expected to stay low for some time. But unfortunately, not much interest may be expected on savings passbooks. The experts at Erste Bank believe that the ECB will lift key lending rates at the earliest in the fourth of 2011, probably by 25 basis points. This will affect interest on savings and loans in 2012. "The low interest rates are expected to be supportive of some investments this year," said Peter Bosek. As interest rates will climb again in the coming years, securing fixed-rate agreements on loans for the next few years is recommended. Mr. Bosek advises savers: "Now is the time to carefully consider how to be prepared for when interest rates go up again. Leaving everything on savings passbooks at these interest rates is certainly not the most attractive option."



Peter Bosek

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About the survey: Integral interviewed 1,000 Austrians (representative for the population older than 14 years) by telephone to ask about their plans regarding savings and investing as well as any credit they may need. Furthermore, they were asked if they worried about the euro. The survey was conducted from 9 November to 29 November 2010.